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C O N F I D E N T I A L OTTAWA 001325

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E.O. 12958: DECL: 10/15/2018

TAGS: PGOV PHUM PREL CA

SUBJECT: ELECTION 2008: WHAT IT MEANS

REF: OTTAWA 1324 AND PREVIOUS

Classified By: PolMinCouns Scott Bellard, reason 1.4 (d)

¶1. (C) The next Canadian federal election campaign effectively began on October 15, in the wake of the October 14 election results that gave the Conservative Party of Prime Minister Stephen Harper a stronger "mandate" but yet another minority position in the 308-seat House of Commons (reftel). The Conservatives, Bloc Quebecois, and New Democratic Party strategists may pat themselves on their respective backs all they like for their gains of 16, two, and seven seats from where they were on September 7, but they all must recognize that it is virtually impossible for the new Harper government to remain in place until October 15, 2012 -- the next date under the still never-tested fixed election law that Parliament put in place in 2007. The only real questions are how soon and how best to prepare for the next competition.

¶2. (C) The historic nature of the Liberals' loss is already exacerbating the long-standing schisms within the party about next steps. Leader Stephane Dion has reiterated his pledge to remain as party leader despite the dismal showing, insisting that Canadians elected him as Official Opposition Leader. But the knives are already out, as many in the party believe that his personal style and obstinate insistence on making the complicated "Green Shift" aka carbon tax policy the central focus of the campaign led the party to its dramatic defeat. All of the discontent about Dion that surfaced after the 2006 Liberal Party leadership race has bubbled back up, with many openly eyeing former leadership rivals Michael Ignatieff and Bob Rae (both of whom easily won re-election in their ridings) as successors -- soon! -- to Dion, and others floating less probable candidates, such as MPs Scott Brison and Frank McKenna. Even more implausibly, newly elected first-time MP Justin Trudeau's name has emerged as a possible contender, for no other reason than the name recognition that comes from being the son of long-time, popular Liberal late Prime Minister Pierre Trudeau. The jockeying among possible candidates, discussions about what to do with the remaining debts (mostly Dion's) from the previous leadership race, deliberations about whether to give Dion a second chance to face the electorate (the Liberal norm), and consideration about whether to defer any decision until the next party convention in May 2009 all buy the Conservatives more time to govern, but not with much of a comfort level. A Liberal Party under a new leader -- or one eager to dump the current one -- might be more willing to pull the plug on the government in a confidence vote at any time, so the Conservatives will have to watch carefully. However, the Liberals would still need the help of the other two opposition parties to bring down the Conservatives at whatever point, and they may not all be ready for a new election at the same time.

¶3. (C) PM Harper likely will move quickly -- within the next week -- to name his Cabinet (probably mostly familiar faces, perhaps many back in the same portfolios), to get the 40th Parliament in session -- maybe as early as November 3 -- and to present yet another Throne Speech by the Governor General soon thereafter. There is not too much left on the

Conservative legislative agenda, and PM Harper will be hamstrung not only by the Conservatives' continued minority status but also by recurrent pledges to avoid deficit spending. A declining economy and possible recession will make this difficult, but the Liberals as well as most of the Canadian public share this aversion to deficits, so the new government may face tough choices that will require the kind of political delicacy and behind-the-scenes Parliamentary negotiations that the Conservatives largely resisted in the previous Parliament.

¶4. (C) The likely outcome will be steady-as-she-goes governance, with few bold initiatives or new policy directions. This does not harm U.S. interests -- unless the next U.S. Administration seeks allied support for new directions of our own.

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